

## Message Text

LIMITED OFFICIAL USE

PAGE 01 DAR ES 00187 191414Z  
ACTION EB-07

INFO OCT-01 AF-08 ISO-00 H-01 COME-00 TRSE-00 AID-05 IGA-02  
PM-04 NSC-05 SP-02 SS-15 /050 W  
-----191422Z 096941 /43  
R 190653Z JAN 77  
FM AMEMBASSY DAR ES SALAAM  
TO SECSTATE WASHDC 3721

LIMITED OFFICIAL USE DAR ES SALAAM 0187

FOR EB/IFD/ODF - BLANEY

E.O. 11652: N/A  
TAGS: EFIN, EAID, OREP, TZ  
SUBJECT: SEN. GRAVEL'S PAPER ON TAXATION FOR DEVELOPMENT AID  
  
REF: STATE 9837

EMBASSY HAS NOT REPLIED DIRECTLY TO SEN. GRAVEL RE SUBJECT.  
OUR SUBSTANTIVE COMMENTS FOR DEPT'S USE FOLLOW:

1. WE AGREE WITH BASIC PREMISES OF PAPER, VIZ. U.S. SHOULD INCREASE ITS ECONOMIC DEVELOPMENT AID, MNC'S WOULD SEEM BE LOGICAL BASE FOR A SYSTEM OF DIRECT TAXATION TO BOOST AID LEVEL, AND ROLE OF MNC'S IN DEVELOPMENT SHOULD BE EXPANDED. OUR REMARKS DIRECTED AT PROBABLE REACTION TO PROPOSAL BY TANZANIAN GOVT.
2. TANZANIA IS AN APPROPRIATE "RECIPIENT TEST CASE" FOR THE PROPOSAL. ONE OF POOREST COUNTRIES, ITS ECONOMY BASED ON PRIMARY AGRICULTURAL PRODUCTS. IT RELIES HEAVILY ON FOREIGN AID FOR ITS DEVELOPMENT AND DOES NOT ATTRACT NOR PARTICULARLY ENCOURAGE FOREIGN PRIVATE INVESTMENT. TANZANIA ALSO OUTSPOKEN PROponent OF NEW INTERNATIONAL ECONOMIC ORDER. VIEWS ON NIEO ARE PROJECTIONS OF ITS SOCIALIST PHILOSOPHY BEING

LIMITED OFFICIAL USE

PAGE 02 DAR ES 00187 191414Z

IMPLEMENTED DOMESTICALLY. TANGOV REGULARLY CRITICIZES MNC'S, AID WITH STRINGS, AND THE "UNJUST INFLUENCE OF CAPITALISTIC AND EXPLOITIVE U.S." ON INTERNATIONAL FINANCE AND COMMERCE. (SEE ECON. TRENDS REPORT OF 1976 FOR FURTHER BACKGROUND.)

3. TANZANIAN WANTS ENLARGED AND AUTOMATIC TRANSFER OF RESOURCES FROM RICH TO POOR AND WOULD WELCOME DOUBLING OF

US ECONOMIC AID. IT WOULD PREFER DIRECT ALLOCATION ALONG LINES PRESIDENT NYERERE'S CONCEPT OF AN INTERNATIONAL PROGRESSIVE INCOME TAX. TANZANIA WANTS FULL CONTROL OVER ITS RESOURCES, DEVELOPMENT, AND INVESTMENT STRATEGY. IN ITS VIEW AID SHOULD CARRY NO POLITICAL CONSIDERATIONS, EVEN HUMAN RIGHTS ONES. LIKE MOST COUNTRIES, TANZANIA CAN BE CRITICIZED FOR FAILING IN SOME RESPECTS TO ENSURE BASIC FREEDOMS. IN ANY EVENT, TANZANIA WOULD CLAIM THAT US ROUTINELY DISREGARDS VIOLATIONS THESE RIGHTS IN COUNTRIES PERCEIVED IMPORTANT TO US INTERESTS.

4. FOR REASONS MENTIONED ABOVE AND NOTED IN APPENDIX, II, TANZANIA WOULD NOT BE ENTHUSIASTIC ABOUT "EDUCATIONAL TRUST" ASPECT.

5. SOCIALSIT TANZANIA WOULD BE RELUCTANT TO SIGN, OR IF IT DID, TO HONOR "NATIONAL TREATMENT" CLAUSE DESIGNED TO PROTECT PRIVATE INVESTMENT. IT HAS NATIONALIZED MOST BUSINESSES IN COUNTRY AND IS WARY OF "NEO-COLONIALIST" SCHEMES, SUCH AS IRB, WHICH PROMOTE AND PROTECT MNC'S. THUS, TANZANIA WOULD NOT WELCOME IDEA OF A TAX REBATE FOR MNC'S WHO MAKE "QUALIFYING INVESTMENTS".

6. THE US RELATIONSHIP WITH TANZANIA INCLUDES POSSIBILITY OF APPLICATION OF LEGISLATED PENALTIES FOR COUNTRIES WHICH FAIL TO COMPENSATE FOR EXPROPRIATED PROPERTY. THERE WOULD APPEAR BE NO EASY SOLUTIONS TO HANDLING COMPENSATION PROBLEMS WITH COUNTRIES LIKE TANZANIA.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 DAR ES 00187 191414Z

7. TANZANIA FORTUNATE IN RECEIVING SUBSTANTIAL CONCESSIONAL FOREIGN AID TO DEVELOP SOCIO-ECONOMIC INFRASTRUCTURE AND ITS MODEST INDUSTRIES. MNC'S COULD PROVIDE GOOD INTEGRATION OF CAPITAL, MANAGEMENT AND TECHNOLOGY TO BOOST TANZZNIA'S SLOW GROWTH IN PRODUCTIVE SECTORS. IT APPEARS, THOUGH, TANZANIA HAS CHOSEN NOT TO DRAW SIGNIFICANTLY ON THAT SOURCE. SPAIN

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TAX LAW, BRIEFING MATERIALS, DEVELOPMENT PROGRAMS, MULTINATIONAL CORPORATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 19-Jan-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977DARES00187  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770020-0010  
**Format:** TEL  
**From:** DAR ES SALAAM  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19770138/aaaabhek.tel  
**Line Count:** 104  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** 5af2a2d4-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 77 STATE 9837  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 09-Feb-2005 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 3562227  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** SEN. GRAVEL'S PAPER ON TAXATION FOR DEVELOPMENT AID  
**TAGS:** EFIN, EAID, OREP, TZ, US, (GRAVEL, MIKE)  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/5af2a2d4-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009